

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

August 17, 2004

5:00 PM

Chairman Smith called the meeting to order.

The Clerk called the roll.

Present: Aldermen Smith, Guinta (late), Osborne, Shea

Absent: Alderman Thibault

Messrs: S. Bassett, K. Clougherty, R. Sherman, K. Buckley, S. Wickens,
B. Lemire, B. Vigneault, J. Shaffer

Chairman Smith addressed Item 3 of the agenda:

Brief presentation by Scott Bassett of McGladrey & Pullen on the City's
FY04 audit programs.

Scott Bassett, McGladrey & Pullen, stated we've been contracted to perform the external audit for the City of Manchester for the year ending June 30, 2004. This afternoon I'm here really to fulfill one of our professional requirements to discuss our audit plan with the audit committee and ask certain inquiries are required under general accepted auditing standards. What you have in your package are three arrangement letters. Those letters pretty much state what our responsibilities are and what we're going to do. There are three arrangement letters in there and basically what it talks about are our fee, the types of statements we will issue, and the types of reports that we will issue. I believe we'll issue seven to eight separate financial statements, the main one being the capital of the City. It's pretty general information in there about in order for me...in there you'll see that we talk about planning the audit and a couple of questions I have to ask under our professional requirements to the audit committee if there are any areas of concern you'd like us to look at during the course of our audit, if there have been any irregularities or faults to your knowledge during the past year that I should be made aware of and also to open up the lines of communication between the audit committee and the external auditor during the course of the audit. If there were to become a problem, we would turn to this committee as our representation when we talked about that

problem. So I think with the material I came up with we'd be looking to you and discuss any item with you. That has not been the case in the past three or four years, but I just wanted to make sure that communication line is open. We have done our preliminary work; we'll start coming in at the first week of October to audit the financial statements of the City, which will be prepared by the Finance Department, by the Airport staff and the other departments throughout the City. During our compliance period which we performed in May and early June, had to items of significance that came to our attention that I'd have to make you aware of today, and now I leave it to you to either ask me any questions or tell me anything that you think I need to know in order to plan my audit.

Alderman Shea asked Scott, during one of the discussions at the Aldermanic meeting is the aggregate fund that the City has established, and I think that one of the areas, at least I'm speaking personally, would be do you recommend or do you make any recommendations concerning whether such a fund should be continued or not continued or do you just kind of look it over and see whether or not it's functioning as it should or what?

Mr. Bassett asked could you repeat the name of the fund.

Alderman Shea answered it's called the aggregation fund.

Mr. Bassett stated I think we talked about this right when we presented the audit report back in May or probably earlier than that this year. We do get concerned when a fund deficit continues to grow and at this point, in your general fund fund balance, we have reserved the amount that is over in the aggregation fund back to the general fund. Really a look has to be taken at what is the future of this fund, will they ever have the ability to repay and maybe the intended use of the fund didn't materialize and a decision would have to be made about the management of it. At this point it has no effect on your fund balance but if it would continue to grow with no source to replay, it would continue to be a bigger concern.

Alderman Shea asked so do you make a recommendation like you did, I'm looking here it's the old unreconciled tax differences and so forth, do you make a recommendation concerning what course would be the most financially feasible for the City pursue?

Mr. Bassett answered I think our recommendation would be really to take a look at what we call a do to or do from or a loan basically from the general fund to this aggregation fund and decide whether there is an ability to repay and if there isn't, then you'd have to do it through the budget process to forgive that debt. I don't know the activity in the fund for the year ended June 30, 2004, but if it grew

significantly, we may have a management comment regarding the growth of that deficit.

Alderman Shea stated there is discussion at the Aldermanic Board concerning the use for the trust funds, and obviously it was established for the purpose of economic development, however, because of the impact at the lack of funding at the State level for the education funding is concerned, do you look favorably upon using some of that for economic development and using a part of that for reduction of the tax rate? Does that impact our borrowing capacity or our ability to get funds at a lower rate? Before we even do that, which we will do probably before you do the auditing, what are your thoughts on that?

Mr. Bassett answered I think really what rating agencies would take a look at is the purpose of those funds and if you had accumulated funds the reason why and if you have to the funds are they in accordance with the establishment of those funds. So if you're using those fund for what they've been established for, I think that would be looked upon favorably because you had the foresight to take a look and if you had a revenue shortfall, you had a resource to go to that wouldn't impact the ability to repay debt in a dramatic fashion.

Alderman Shea asked so your answer?

Mr. Bassett stated so I guess my answer is if you have established a fund and the time comes when you have to use the sources of those funds for it's intended use, I would say that's probably a good practice.

Alderman Shea asked and then using other parts of the funds for something else would be an unfavorable practice?

Mr. Bassett answered that would be a management decision at that point, but I think if you have established a fund and an incident happens where the source of that fund fits the need, I think that would be a favorable action.

Alderman Osborne asked Mr. Clougherty, while we talking about funds here I just wanted to get a little clarification on the rainy day fund. How long must this go on? The rainy day fund? Is there a maximum or...?

Kevin Clougherty, Finance Officer, answered there is within the ordinance setting up the rainy day fund a provision that the fund can only get to a certain amount as a percentage ratio to the City's expenditures. If it exceeds that, then it goes to your other fund balance to be used for taxes or however the Board chooses. So there is a cap by ordinance. The reason that you have the rainy day fund in place is because you need to have a growing reserve. Just like in your own family

budget as your income goes up, your reserve has to go up. You can't say its going to be \$10 million and leave it at \$10 million for ten years, because the present value of that fund is then ineffective. So you have to keep it growing on percentage base as the size of the business starts growing and that's what the purpose of the rainy day fund. So it is pegged to growth, it is pegged to a certain amount of growth, which is dictated in a certain level by the rating agencies and what they feel is a reasonable amount to have in the rainy day fund. But to answer your question, it's not going to get to we have \$10 million in there and then it just stays at \$10 million for 15 years, that's not the way that it works.

Alderman Osborne asked what is the cap?

Mr. Clougherty answered I think we're probably close to the cap for this year given the size of the budget this year. I don't have the ordinance in front of me Alderman, but I can get that if you want.

Alderman Osborne asked you say \$10 million is about cap?

Mr. Clougherty answered what it does is it takes a look at what the size of the budget is, and then it says okay you should have in reserve, just like in your family budget, you should have two weeks worth of operations, well believe it or not \$9 million from the City's perspective is less than one months operation. We're paying our \$2.5 million in payroll pretty regularly here, so \$9 million in reserve is not a lot of money against a budget of on just the City side of \$140 million, then you add in the school side and \$9 million is not a lot to have in reserve. So I think the cap is about 5 percent of the budgets, which is we're close to on the City side but not for the City and the schools.

Alderman Osborne stated I think the City and schools would come too roughly...

Mr. Clougherty stated so I mean when the rating agencies look at us, they look at us in terms of how much do you have in your rainy day fund, what is it's purpose, how is your budget growing, and is the reserve growing in pace with the growth of the overall operation. If you're reserve today should be \$5 million and keep that flat at a flat dollar rate of \$5 million for 10 years, then you look at it at that point in time retrospectively and you're going to find your woefully inadequate in terms of what the rating agencies want you to have. So we have put in place a dynamic measure. So instead of going and saying well a rainy day fund of \$10 million, so you have a rainy day fund of X percent of growth. So as your budget grows, so does that requirement for the fund. So we're close to fully funding it every year, but I don't think we've ever quite gotten to the point where we've fully funded the rainy day fund and then the excess can be used for something else.

Alderman Osborne asked who determines that ratio? Five percent that you're saying?

Mr. Clougherty answered in setting up the amount obviously we talked to Scott and we also talked to the rating agencies in terms of what do they take look at for a City with a good credit rating of Double A, how much do you think there should be held in reserve for emergency purposes and that's how it was determined. So it's not that someone said this is the exact formula that everybody has, every city and town you'll find is within those ranges that are established by the rating agency.

Alderman Osborne asked how many other cities like Nashua and Portsmouth, their rainy day funds?

Mr. Clougherty answered they have more than us and that's one of the reasons why when we go down to argue for rating upgrades, when you're compared to other cities and towns, cities like Portland may not have some of the other attributes that we have like our airport may be stronger and our water may be a better delivery service, we may have other things, but what we are constantly butting up against is those towns that are rated better than the City of Manchester have bigger reserves then we do.

Alderman Osborne asked do you think we'll ever use it?

Mr. Clougherty answered well let me tell you this. In the 1990s, when we first came here, your biggest source of income Alderman, is your taxes, is your property taxes. If today our collections are 98 percent, and they are. Routinely the last several years, we've collected 98 or 99 percent of the taxes every year. If your tax collections in one year dropped from 98 percent to 92 percent, just for one year, which has happened I'd say at least five or six times in the last 30 years. If it dropped to 92 percent, that rainy day fund doesn't cover that loss. You don't have enough in there. So when things are going good and the economy is going good and things are chugging along and you've got people paying their taxes, it's great. When you go through a problem, and that may be the result of a revaluation, it may be the result of a combination of a revaluation during a recession or an economic problem, or if we go through just a recession in general and people can't pay their taxes, you have that reserve to help caution you over a period of time. But I'll caution you, it's not a high reserve, I know \$9 million sounds like a lot of money, and it is a lot of money, but proportionately to the size our budgets versus other cities, we don't have a lot reserved.

Alderman Guinta asked Kevin, what's our rating compared to Nashua and Portsmouth? You alluded to the fact that it's lower?

Mr. Clougherty answered to Portland we're about the same, but we're better because of some of these other feathers that we have. Our reserves are smaller so we're able to climb up. If our reserves were at the same level as those cities, we'd be a higher notch.

Chairman Smith asked Scott, areas of concerns or any problems. You've been auditing the City for how many years, four or five?

Mr. Bassett answered this would be going into our fifth year.

Chairman Smith asked and your overall three or six years what have been the problems that still might exist today?

Mr. Bassett answered one of the things we said when we came in here to do the audit, we like to give suggestions and suggest corrective actions for any weaknesses in internal control. And what we've seen here in the City, maybe the first year maybe we came out with 15 and then we try to step back and we like to take a look at what's the reaction to that, what's the corrective plan that has been put into place by the City. And that's been occurring every year. If we had ten the first year, maybe it's down to the seven the next year, there could be a couple of new ones, as far as material concerns, we do not have any in the internal control structure of the City today. That doesn't mean when I get into the sustain and field work I'm not going to find anything, but at this point, the revenue streams how they're collected, how they're deposited, which would be materials through the City of Manchester, we have no material weaknesses to report about those major transactions areas.

Chairman Smith stated you're going to be starting your audit in October, when do you think it will be completed?

Mr. Bassett answered I'll go to meet with you probably in the month of January we can go over the financial results. We like to issue it prior to year-end and that's our goal.

Chairman Smith stated because I imagine the budget is going to start I hope earlier than March this year. Kevin, this is for you, I was interested in the fund balances and the potential revenue that we have coming in and I was wondering, on Wellington Road, what is your assumption the sign off is going to be? Is that \$1.2 million?

Mr. Clougherty answered that's my understanding from Bill Craig the other day that he was getting close to closing that this month.

Chairman Smith asked and the one-time account? How much do we have in the one-time account?

Mr. Clougherty answered I would say about \$3.5 million.

Chairman Smith asked and riverfront is \$1.4 million?

Mr. Clougherty answered right.

Chairman Smith asked and do you have any account on the fund balances from the various departments over the course of the year. I know at the last meeting back in July we weren't sure what the fund balances were from various departments that we might be receiving.

Mr. Clougherty stated I think Guy is going to speak to that when he gives you the July financial statements tonight as one of the items on your agenda. So he'll speak to that. I think it's on target, Alderman, with what we had talked about as part of the budget process. We will meet our commitment that we sent to the Board that they'd have more dollars to put towards the budget from the fund balance. I don't think that's in jeopardy. I think we'll make that. It's a question of will we have more than that.

Alderman Osborne asked has any city used their rainy day fund at this point that you know of?

Mr. Clougherty answered some cities and states have had to use their rainy day funds. For example, the state of New Hampshire has almost exhausted its rainy day fund. Some cities and towns when they get into financial problems have a tendency to use their rainy day funds and that sometimes is necessary, it sometimes is the cheapest or the most expedient political solution. That gets those cities and towns into a much deeper problem, because if they've used their rainy day fund and exhausted it, they have nothing else to use and the problem continues and they spiral downward. So using your rainy day fund is allowable, it's being prudent to use it judiciously and only when necessary.

Alderman Osborne asked what kind of interest do we draw on that?

Mr. Clougherty answered it's not a bank account Alderman. All of our funds are invested, as you know, there's not a separate rainy day bank account. This is a financial accounting reporting mechanism that we're talking about here. It's not a bank account.

Alderman Osborne asked so this \$10 million is floating in just about a lot of places? Is that what you're saying?

Mr. Clougherty answered no, all of the City's funds are fully invested and collateralized.

Alderman Osborne asked but this amount you have over and above?

Mr. Clougherty answered it's a fund balance. Not a bank account.

Alderman Osborne asked is there any way of doing that? Is there any way of taking these monies? You've got it invested in like what?

Mr. Clougherty replied that wouldn't be recommended to take \$10 million and just put it in a bank account for the rainy day fund. That's not what we're talking about here, Alderman. We're talking about a year end calculation of assets and liabilities and all of your cash position is reported to you in your treasurer's reports and all of the City's cash is invested within the limits of the State statutes for what we can invest it in and it's all collateralized.

Alderman Osborne asked so this \$10 million of assets or \$9 million, we can't invest it or put it in and draw interest on it?

Mr. Clougherty answered it's not a bank account. We are investing all of our funds...

Alderman Osborne interjected its assets over and above? Right?

Mr. Bassett answered it's a measurement, but I think to your question, it's pooled with all the City's investments and cash accounts and the excess, the interest earnings on these excess fund that invested by the City, roll through the revenue and expenditure statement, which then either increases or decreases your rainy day fund at the end of the year. So it would be like measuring all of your assets, your tangible and your intangible assets, your liquid assets, and your non-liquid assets. As far as measuring your net worth, whether it be real estate or property tax receivables against your liabilities and that gives you the portion what you would say my net worth is. You would include things, although you can't invest that net worth all in the bank, it's what your excess is if you had to liquidate your assets minus your liabilities, in theory would give you that cash.

Alderman Guinta asked Kevin, what's happened to the State's bond rating since it's reduced its fund?

Mr. Clougherty answered I know that they were put on credit watch and I believe that at least one of the agencies has downgraded them. An interesting thing, with everything that's going on in New Jersey. New Jersey had some financial problems and had drawn down their rainy day fund and had gone to borrow through a deficit bond approach because they hadn't any other way to deal with their deficit, they'd done away with their rainy day fund. So today in the bond buyer, which is the equivalent of the Wall Street Journal for bonds, it lists every city and town in New Jersey, it's like six pages, and it takes every single city and town in New Jersey and downgrades them. So when you use your reserves, you get to a point where you get into more desperate solutions and those desperate solutions will now affect every one of those cities and towns in New Jersey, so if they want to do capital projects and borrowing, it's going to be much more expensive, it's going to be much more difficult for them.

Alderman Osborne asked by keeping this rainy day fund at \$9.5 million, wherever it is now, this is costing the taxpayers dollars in order to keep that money there?

Mr. Clougherty responded it's costing the taxpayers if you don't have it there Alderman, because you would not have the credit rating that you have, and you would not be able to borrow for the projects and do the services that you want. Either way it is an expense.

Alderman Osborne stated maybe I'm wrong, but I never bought what you're saying right there about credit rating. Credit ratings I always knew that went by how you pay your bills not how much money you have in the bank. There's a lot of millionaires out there that can't get a dozen pencils on credit because they have no credit. So I don't quite buy that too much, but I mean if the City of Manchester pays their bills on time, it pays their bonds and so on and so forth, that shows a good attitude of what they're doing I guess. \$10 million doesn't go anywhere, \$9.5 [million] doesn't pay nothing like you said, but in order to keep it there still our tax rate has to go up or to keep it there...in other words, take that money and drop the tax rate, whether it's \$3.00 or whatever it amounts to, \$4.00, the taxpayers have to keep that money in there.

Mr. Clougherty stated it comes down to the fundamental principle of whether you feel that you should have something set aside for emergency purposes and whether that should be equal to, like in your home it is one month salary, or here on month's operations, so that's really what it comes down to Alderman. I think any bank when you go in and ask them for a loan, whether it's for a car, will ask what type of a reserve capacity you have. And if you don't have reserve and you are living day to day, as you suggest we should, then the rate you're going to pay for that car or that house is going to be either out of your reach and your going to have

to buy less of a house, or it's going to be so expensive that you won't be able to accomplish what you need to do.

Alderman Osborne stated like what you said from the beginning, \$9.5 million doesn't go far.

Mr. Clougherty responded but it goes a lot farther than zero.

Alderman Osborne stated well if the City is going to go belly up with that \$9.5 [million] or not. That's all I can say.

Mr. Clougherty responded it's a prudent range.

On motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted to accept the presentation.

Chairman Smith addressed Item 4 of the agenda:

Communication from Joan Porter, Tax Collector, requesting permission for the Tax Collector and Deputy Tax Collector to attend the Tax Collector's Annual Conference from September 20 through 22, 2004 at Wentworth by the Sea in Newcastle, NH which is 55 miles one way.

Alderman Shea moved to approve the request. Alderman Osborne duly seconded the motion.

Alderman Guinta asked is it standard practice for a department to ask permission for this type of request? It's just because it's under the mileage?

Mr. Clougherty answered right. We have to enforce the policy and we don't have the ability to override it. It's your policy so if you want allow them to do it, they have to get approval first.

Alderman Guinta asked so anything over 65 miles wouldn't come to us?

Mr. Clougherty answered right. Usually the Tax Collector and the City Clerk are meeting up at the Bretton Woods, for example, and it's outside the 65 miles and it's not an issue. Where now it's at the Wentworth facility and it's within the 65 miles and she's just asking for an allowance to be able to pay for that. She has the money in her budget is my understanding.

Alderman Guinta asked Kevin, do you have any idea of how much money is spent a year by the City on events like this?

Mr. Clougherty answered we could calculate that Alderman. We could go back and try and give you a report. Is that something that you would like to have?

Alderman Guinta answered yes.

Chairman Smith called for a vote on the motion to accept the request. There being none opposed, the motion carried.

Chairman Smith addressed Item 5 of the agenda:

Communication from Kevin Buckley, Internal Audit Manager, submitting audit status updates.

Kevin Buckley, Internal Audit Manager, stated the audit that you have is a checking account that is being held by the Department of Elderly Services. It was not recorded in the City's financial statements. They have their own checking account, which was against the procedure set up by the Finance Department and so I went over there and audited to make sure that everything was okay. The records that they kept on this account were impeccable. There was absolutely nothing wrong with the account other than that it was in violation of some of the procedures that were set up in the Finance Department, so I worked with the agency and we have come to an agreement that they will report the revenues and expenditures monthly to the Finance Department, so that the Finance Department can report them in it's financial statement.

Alderman Shea stated it is our decision to make a recommendation concerning whether or not this account should be part of what you discussed and I believe that a couple of members of the Elderly Services are here and I'm not quite sure if they would like to discuss that problem concerning that account.

Barbara Vigneault, Director of Elderly Services, stated we've had a meeting with Finance and we've agreed to set up monthly reporting with our statements that we currently keep within the department and we will forward those to finance.

Mr. Buckley stated the other big part of the report was that they were lacking some internal controls over the account and they've adjusted everything and taken care of all of that. So the internal controls now are in pretty good shape.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted that the Elderly Services Department will send monthly reports of revenues and expenditures to the Finance Department to be included in it's monthly financial statements.

Chairman Smith addressed Item 6 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting the City's Monthly Financial Statements for the one-month ended July 31, 2004.

Chairman Smith stated it's very early and I don't have any concerns because we're only into one month of the budget. But I would just like to ask one question. In the Building Maintenance Division it's because they have to pay out contracts in advance, is there so much taken out already?

Randy Sherman, Deputy Finance Officer, answered yes. They know what their contract is for all of the cleaning at the schools, so they do. They put an encumbrance in right up front during the year so that way they make sure that those dollars are there come June. That they've got enough money to pay that for the entire year.

Chairman Smith asked in regards to last year, how close were we in getting our revenues and balancing various departments?

Mr. Sherman answered we're actually fairly close to getting ready to put the capita together for the auditors to come in. Regarding last year's appropriation, we're probably going to be in the \$1.4 million under budget, so that's to the good side. On the revenues, we're a little bit over \$700,000 shy of the budget. So when you net that all out, we've got about a \$700,000 surplus from the budgets.

Alderman Guinta asked what were we projecting back in March, April and May?

Mr. Sherman answered we were projecting at one point and actually we'd be turning in close to \$2 million, but we also thought our revenues were going to be closer to \$1.5 million. And what's really forced it is the departments as you know through the end of the year working with Mayor's office, we went out and bought the cruisers, we took care of a lot of items out of last year's appropriation. But knowing that the revenues were coming in a little bit better as well.

Alderman Guinta asked could we get a final list of those additional appropriations? Because I don't believe all of them are actionable by the full Board. Is that correct?

Mr. Sherman answered no. Some of them were just line item transfers where somebody maybe like John Brisbin said listen I've got \$50,000 in salaries, can I use \$20,000 of it to buy books. Those types of things. So we can do that. We can get you a list of all of those.

Chairman Smith stated I think what Frank is getting to is it seems like a lot of surpluses were in various budgets and they did their best to wipe them out. That's what your question was?

Alderman Guinta answered I would have put it differently.

Alderman Shea asked now that the departments have to operate at a 98 percent of their budget, how is that working out so far during the month of July and part of August?

Mr. Sherman answered what we're seeing is a lot of departments are taking their line items, their capital type items and they're pushing those purchases off at this point. The larger departments that have a large amount of overtime, that's really how they're trying to approach the 98 percent. So people like Highway and Parks and Fire and Police and those, they're trying to minimize their overtime at this point and the departments are really trying to get to the tax rate setting period to find out okay are we going to go truly with 98 percent, are we going to go with the 100 percent, or somewhere in between or maybe it's a little bit more. But that's really how they're trying to approach it. Departments that are fully staffed, don't have overtime, they're dealing with it through their line items.

Chairman Shea asked so in terms of when we get all of the figures in, will you people prepare at the Finance level some scenarios in terms of what would be the options if we keep it at 98 percent, if we decide to go to 99 percent, and so forth. I think that that would be very helpful for everyone.

Mr. Sherman stated I think Kevin would agree. We committed to get you to the 5.5 [percent] range, somewhere in there, and I think we're looking at a number of different scenarios.

Alderman Shea asked could you repeat that please? I'm not sure I heard that because we've been talking 8.5 [percent].

Mr. Sherman stated I think all along the real goal is to get us to 5.5 [percent], in that range...

Alderman Shea interjected even that's too much for some people, but all in all it's better...

Mr. Sherman added it is, I think that's a target. We're looking at different scenarios, not only on the revenue side but also certainly on the appropriations side.

Alderman Shea stated so hopefully we'll be able to even get it down lower than that if in fact we use certain options. I'm not saying we can, but we may be able to. A lot of people would like to see it below 5 percent.

Mr. Clougherty stated there's a lot of variables that go into the tax rate, as you know. The school looks like they have a little bit better fund balance than we thought, we'll take a look at certainly the valuation, hopefully that's a little bit higher than was forecasted, so the amount that you'll need is that going to be 98 or as Randy says 99 or whatever to cover that gap, is what we'll tell you where it is. We'll tell you what the gap is and what the different ways to getting to that are.

Alderman Osborne asked Mr. Clougherty, do you think at the time we bring this rate, they're going to be at 98 percent? Do you think most of the departments will be at that figure at that time?

Mr. Clougherty answered I think most of the departments are. They have the message. They know that the City has a serious situation here with \$4.5 million cutback in the school funding and that has to be made up and they've lived through periods like this before. So I think what Randy's telling you is right now they are taking what is necessary in the early parts of the budget to preserve their spending so that if they get the requirement to spend 98 percent, they will spend 98 percent through the end of the year. I have every confidence in the management of the departments that they'll do that. We hope we don't have to make them do it, but they will do it and they are preparing to do that and they are conscientious about doing it through the first month.

Alderman Osborne asked so we don't know what services will be cut at that point and after? If they're not at the 98 percent, are they going to have to pull it then? Something's got to be cut somewhere.

Mr. Clougherty answered I think everybody is preparing for the worst and hoping for the best. If they have to go back and so some service level adjustments, it will be as we get out beyond November. They're trying to cut back as much as they can now and in anticipation of that.

Chairman Smith stated Kevin, just a follow up on that. I know some service has been cut already in a couple of departments, but what I'm really interested in is that you're projecting trying to get it down to 5.5 [percent] or so forth, what is the prognosis or do you know with the assessments, I guess we won a couple of cases with abatements where the Tax Collector or the Assessor has saved us money.

Mr. Clougherty replied right and that's what we're hearing too Alderman, so we're optimistic, although we don't have a definitive number because they have to look at all of the good things, but then they also have to look at all of the abatements as well. But it sounds like they're forecast is going to be achieved, which is good because there have been times in the past when we've had to back in November and find that the forecast had to be revised downward. It doesn't sound like that's the case this year and it sounds like there might be some cause for optimism that it may be better than they forecasted and we hope that's true. And it sounds like we're heading in that direction.

Chairman Smith stated just one more follow up. In regards to various departments with this 98 percent or 2 percent cutback, are you going to be the watchdog for the various departments or is Guy or who is going to be maintaining departments on a month by month basis?

Mr. Clougherty answered the ultimate responsibility is each department head. They are the manager, but we will certainly work with them, we'll try to help them use their resources as best we can, and consult with them as we have done in the past, and ultimately you will be part of the watchdog team as what Guy was saying. You'll get your monthly reports and you'll see is spending at roughly the 98 percent level as we're going forward each month. So you'll be integral in this was well as we're moving forward. We'll all be watching the same set of numbers.

Chairman Smith asked could you ask Guy or someone in the accounting to highlight any particular problem so we...because the sheet that we have, I'll tell you it is hard to read. The figures don't come out. I'm getting old and blind, but if you could summarize it, I would certainly appreciate it.

Alderman Shea stated just a comment or a question. If the School District were a department, we would be in a position to cut them back 2 percent similar to the other departments? Kevin is that my understanding? Because they are a district

we can't do that? I'm not saying, and don't get me wrong, I'm not saying we would or we should or we can, but I'm just saying would that be the same case if they were a department rather than a district?

Mr. Clougherty answered that's my understanding Alderman, but I'm not your lawyer. It will be a question I'm sure that will be debated by the legal staff on both sides. The good point I think is that the relationship between the City and the school has gotten much better. They've done a much better job of managing so that they have some dollars to contribute and I think they understand the situation and I think they will contribute to helping to narrow the gap.

Alderman Shea stated one of the problems as Alderman that we have is that we approved their budget at a certain time in the budget process, but then afterwards the other departments have to come with their particular concerns and we're giving them a budget and sometimes it doesn't always work to the overall City's advantage.

Mr. Clougherty answered I hear you.

On motion of Alderman Osborne, duly seconded by Alderman Guinta, it was voted to accept the report.

Chairman Smith addressed Item 7 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report all invoices for interdepartmental billings only;
- d) open invoice report all invoices due from the School District only;
- e) listing of invoices submitted to City Solicitor for legal determination; and
- f) accounts receivable summary.

Alderman Shea asked could you highlight some of the concerns that you may have had or is there any?

Sharon Wickens, Financial Analyst II, stated actually there really isn't anything that's different from what you've been seeing every month. The Solicitor's office has been making some strides in some of the their collections. I know that we did get a judgement on one of these customers and we're contacting their attorney to set up some type of payment plan and we also are working with another customer

that owes quite a bit of money to the Fire Department and he's and also trying to get a payment plan set up for that one. There's really no big items on here other than a couple that are for SMG, they're invoices to SMG and that payment is expected to come in in October. Unless you saw any in there, I welcome any questions you have.

On motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted to receive and file the communication.

Ms. Wickens stated in addition I do have the Fire Department here as one of the departments that would be coming in.

Brent Lemire, Fire Department, stated Sharon asked us to come down to address any concerns that you might have had. As Sharon had mentioned, we are working with Sharon and her staff aggressively monitoring our revenues and we've successfully increased our revenues consistently the past couple of years. And working with them the delinquent accounts have been down to virtually zero and also we've had a couple of judgements in our favor that we're trying to work on. We appeared in court and working with the Solicitor's office and everything we've been pretty successful. So I'm pretty pleased that our efforts are paying off for the City.

Ms. Wickens stated I will comment that the Fire Department has an excellent staff and every item that is on the 90 day report is either in the hands a collection agency or in the hands of the Solicitor's office. They are very aggressive on getting right on top of all of their items and Brent is aware of them at all times when I call.

Chairman Smith stated since I have the both of you there, how are we making out at 64 Merrimack Street with all of those successive alarms?

Ms. Wickens replied that one is the one that we got the judgement on. We have not received payment, the 30 days has gone by that we would normally have been paid in full, we didn't get anything. I have talked with Tom and he's trying to get in touch with their attorney to work out a payment plan and I guess if they don't pay, there's something else we would do legally.

Mr. Lemire stated I think one of the problems is that they change names consistently. We send a bill to one address and next year the name has changed and then the name is changed again and it's still somehow traced back to the original person, but it's an issue for all of us to deal with.

Chairman Smith stated just a follow up on that. Can't you go through the Assessors and find out who owns the property and who is paying the taxes and so forth?

Ms. Wickens answered they don't always change it with them. It's trustee names that keep changing. Just the other day with Tom and I were looking at something, we noticed that they had again changed their name in April to a new LLC as a trustee. It's just constant.

Chairman Smith stated Brent your collection is very good, you don't have any problems whatsoever?

Mr. Lemire answered no we don't because again we're working closely with staff here at Finance. We've been very successful. We have no issues.

Alderman Shea asked when somebody has an alarm system and the Fire Department comes, how many times do you come before you start charging them?

Mr. Lemire answered it depends on the number of detectors you have the building. There's a schedule. If you have 1 – 100 it's one fee, if you have over 100 it's another fee.

Alderman Shea asked what if you have one and you're in a residential area?

Mr. Lemire answered I don't have it in front of me but it's a different schedule Alderman. In other words, you have a certain amount that they can go to before they get charged.

Alderman Shea asked like once or twice or three times?

Mr. Lemire answered right and sometimes you get five, sometimes you get ten times depending on the amount of the detectors or devices you have in the building. How big the building is, what type of system, its all schedulized.

Alderman Osborne asked what do they do, change corporation names? So it's hard for you to get them because they change every five minutes?

Ms. Wickens answered it is trustee names and then you don't who to serve legally. You've got to serve the trustee and name has changed so it makes it difficult for the Solicitor's office to serve them when we're not sure of the name change. And they don't volunteer the name change you have to track it down.

Alderman Osborne asked is there a way of paying first and then receive on corporations?

Ms. Wickens answered for false alarms I don't think there is.

Mr. Lemire answered no because we have to track it at the end of the year, so we do it at the end of the year to find out how many during the calendar year period and add it up

Alderman Osborne stated I don't know what it is per false alarm. How much is it per false alarm?

Mr. Lemire answered again, it's different Alderman.

Alderman Osborne asked all commercial buildings are different?

Mr. Lemire answered depending on the amount of devices like I was just saying to Alderman Shea. It's a whole different schedule depending on the type of building, the amount of devices, the amount of times that the alarms occurred, what type of alarm occurs.

Alderman Osborne asked so it would be too much trouble to get it in advance? A deposit per say?

Mr. Lemire answered it's virtually impossible until the alarms are done. We have to calculate it at the end of the year. We have to find out how many alarms at the end of the year and then we calculate it and then bill them.

Alderman Osborne stated you must have an average of what these places do a year? As an average over all this time you must have some sort of perspective of what they are?

Mr. Lemire stated well the purpose of putting that type of ordinance in affect was to reduce the amount of times the Fire Department had to go and that has worked.

Alderman Osborne stated let me just say. How much trouble are we in each year with this? How much money?

Mr. Lemire answered our revenue on it is...

Ms. Wickens stated right now they have about almost \$15,000 in 90 days and over and of that \$15,000, \$12,000 of it is sitting in the hands of the Solicitor's office that we're trying to get judgement for, and we do have judgement for maybe six of that.

Alderman Osborne asked how about if they're billed monthly?

Mr. Lemire answered again, we can't do that until the end of the year and we send out one bill for the total amount.

Alderman Osborne asked why can't you send out 12 bills?

Mr. Lemire answered because we have to compute it on a yearly basis.

Alderman Osborne asked why does it have to be computed on a yearly basis?

Mr. Lemire answered they may not have a false alarm or the trigger amount until December of any given year. In other words, say for example a business has a fire alarm system. Say for example they're allowed 5 false alarms in any given calendar year. They may not have any false alarms at all until November and then maybe the weather might go bad or something might happen where all of sudden at the end of November, beginning of December, they get whacked with five or six of them and all of a sudden that triggers the billing. We don't know that until the end of that calendar year. Because of the fact they may not have any alarms at all until that period, any billable alarms until that period.

Alderman Osborne stated they would only get billed for that one month then.

Mr. Lemire answered they would only get billed for the trigger amount. Say for example of they're allowed five false alarms and they don't get the sixth one, which is billable until December of that year, we wouldn't know that until at that point in December. But it's not a big amount. Our false alarm fees have gone down to like \$5,000. It's gone down from a high of about \$20,000.

Alderman Osborne stated just to protect the future that's all. I'm just discussing it.

Mr. Lemire stated it is working because it is reducing. It's not revenue, but it is reducing the amount of false alarms that we do go to. The intent of it was successful.

Chairman Smith addressed Item 8 of the agenda:

Reports requested of Finance Department as follows:

- a) inventory of City departments on HTE systems and a description of how system works; and

Mr. Sherman stated actually if we can take this in two parts. As far as the inventory of the City departments on HTE, the Finance Department has met with Info Systems, we've started to create an inventory, we started to create some diagrams on how the systems work, but to be honest with you we're not to the point where we think are ready to discuss it with the committee. So I can give you these if you want, I prefer not to. They are really drafts and we haven't talked to all of the individual departments to make sure that the matrix is correct. So I really would prefer that we just table the first item and we'll gladly come back in September. That will give us enough time to get the rest of those answers. We just need some more time to talk to the departments.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to table Item A until the next meeting.

- b) summary of Civic Center line item regarding policy decisions with respect to fees and contracts.

Joanne Shaffer, Deputy Finance Director, stated I think that what happened at the last Committee on Accounts meeting we were reviewing the revenues and somebody had noted that the Civic Center parking revenue had dwindled down and was less than we had anticipated collecting in fiscal year 2004. So I believe that what the committee wanted was kind of a breakdown of why that number had been reduced. We at the time had noted that it was due to a number of policy decisions that were made subsequent to the opening of the Civic Center. So what we kind of did is informally detailed out what those changes were that affected the reduced parking revenue that the City has realized over the course of the last two or three years.

Alderman Shea stated if memory serves me correctly, when we were discussing this issue and I'm going to defer to Alderman Guinta later, but I believe there was a suggestion made that we sell our interest in this or am I mistaken. Somehow or rather that we try to get from under this particular situation because it's really costing the City I believe money to be part of the arrangement. Now I could be wrong, but...

Mr. Sherman stated I think when we were discussing the latest decision which would have been the Center of New Hampshire it was right on the tail of the Canal Street Garage sale and I think there was some discussion at the Board level that now that we've sold Canal Street Garage, maybe we should look at the Center of New Hampshire.

Alderman Shea asked but is it feasible to us to continue to be part of this situation if in fact it's probably resulting less revenues and, I don't know, maybe you could... Is this the only option we have just to say well because of A, B, C and D, the revenues from this are going down and therefore we should become or stay part of it or... Shouldn't we make some kind of decision in terms of maybe trying to do something differently?

Mr. Sherman answered the other alternative would be to reverse the decisions and go back to weekend meters, go back to extending the meters at night. Certainly the deal you cut with the Center of New Hampshire, that horse has left the barn you can't change that one. So if you're going to do something at Center of New Hampshire, the real deal would be sell it and then you'd generate the tax revenues from it along with the sale.

Alderman Shea asked may I ask Mr. Chairman if certain types of financial situations be drawn up by the Finance Department and presented. If we're the committee that has to make a decision on this, then I think we should be given the different options that are available to us.

Mr. Sherman stated okay, we'll be meet Tom Lolicata, we'll review those items again, as far as what he thinks revenue projections and what not would be and we can bring those options back to the committee.

Alderman Shea stated it would make more sense then just say here's a report and here's what's going on and therefore...

Mr. Sherman stated I think the one thing that wasn't in Joanne's letter and I think it's probably just because nobody can really quantify it, the more you have repeat attendance at the arena, the more people are likely to find where they can park for less. Certainly the first time somebody comes in for a concert, they're going to pay the \$10.00, the second time they come in, they might find a \$5.00 parking, and then they finally find out the spot where they can park and within four minutes they can walk for free. Because believe it not those spots do exist out there. So I think that's part of the reason that we've seen the tailing off too, but we'll gladly go back, work with the Traffic Department, and bring back some options back to the committee.

Alderman Shea stated and I think that at one time there was a discussion concerning all of these resourceful entrepreneurs that are coming into the play in terms of how an assessment of their particular property should be made. Because obviously there are people with trucks that park them on the street for \$.50 cents and then use their parking area at \$10.00 a whack. These are people that are taking advantage of whatever situation they reason is going to be most helpful for them financially.

Mr. Sherman stated I don't want to get into another touchy subject, but that's part of what the reval would capture. Because the Assessor is aware that these people are double dipping on their business properties and that would be part of that calculation. But you're right, if you go over towards the arena at 4:00PM, most of those meters, there are cars in them already and some of them you are right, they've moved them off their personal lots so they can rent them and they're plugging the meters.

Alderman Osborne asked the sale of this garage would come through Lands & Buildings or this committee?

Mr. Sherman answered I think what Alderman Shea is saying is this committee can make a report recommending to the full Board that Lands & Buildings should look into putting it up for sale. But it would ultimately through Lands & Buildings.

Alderman Osborne asked are you going to bring something back like this for us.

Mr. Sherman answered yes. We'll put together some options.

Alderman Guinta asked explain a comment you just made to me regarding the reval. How is the reval going to capture value of a local businessperson accepting cash...?

Mr. Sherman answered because when they reval or when they value a commercial property, they don't do it in the same manner that you would do a residential property. They look at a residential property whether you're working or you're unemployed. If it's the same house, they're going to value it at the same level. When they get to commercial property, they look at the revenue side of the picture.

Alderman Guinta asked you're assuming that the revenues are going to be on the books.

Mr. Sherman replied and if they're not, the Assessors at least know that they're doing the business. And you're right, they can ask for those. Now whether they're reporting it to the IRS is a different situation.

Alderman Guinta stated let's assume that's it's not reported. How can that value be captured?

Mr. Sherman answered I think that the Assessors can still go over that and I'd even look to Matt and City Clerk and say how do you regulate those types of things. Do they have a business license to do that? I don't know how that all comes into play, but that certainly is something that the Assessors are going to have to look at.

Alderman Guinta stated as far as I understand assessing, you can't assess and depending on the type of standard you're using, if it's a revenue standard, you can't assess... If the revenues are \$1 million and you think it's \$1.1 [million], you can't assess on the \$1.1 [million], you can only assess on the \$1 [million] assuming that's what's on the books.

Mr. Sherman stated unless you've got some and I'm not an Assessor either, but my belief would be unless you've got a reason believe that there are other revenues there. If I'm the Assessor and I'm...

Alderman Guinta stated well we all see it, so we know that it's going on. And again, I don't how that translates into an Assessor being able to assess based that revenue. Because there is no proof of the revenue.

Mr. Sherman continued and at any time they can...my understanding is they ask for tax returns, and you're right, if they're not putting it on the tax returns... I don't know how the Assessors would approach something like that. That question I can clearly go back and ask the Assessors what they would do.

Alderman Guinta asked could we do a review of business licensing for those types of businesses? For that type of actual...?

Mr. Sherman stated I don't know if there is a license for that. I guess the answer is there is not.

Alderman Guinta asked should we implement it? I don't believe there is one.

Mr. Sherman stated and maybe if it's just...because does it impact your traffic flows? There's got to be reasons to do the license.

Alderman Shea asked may I ask the City Solicitor a question? Tom, if the Assessors suspect that a particular industry is using this type of situation, can the Assessors take a motion picture or camera or something of that? Is that permissible?

Mr. Arnold answered it's an awful broad question.

Alderman Shea asked what's broad about it? It's either they can or they can't. Can they go before a particular business and say we suspect that this business is using money when there's events of raising funds by parking and using it and they take a picture of it.

Mr. Arnold answered if they do it from a public area; yes they can probably do that.

Alderman Shea asked what do you mean by a public area?

Mr. Arnold answered you can't ordinarily go on private property without the property owners permission. It depends on what they're trying to take a picture of and from where and to answer your question the best I can, they're standing in a public area looking at what can be viewed from the public area, yes they can probably take pictures of that.

Alderman Shea stated I know if you ride down a certain street unnamed and somebody says \$10.00 to park here and there's a parking lot and there are 15 cars there, you would assume that that's \$150.00 that they're getting from parking. Right?

Mr. Arnold answered I think that would be a safe assumption. Yes.

Alderman Shea stated if they had a camera and they were standing in the middle of the street and they took a picture of that, that would be proof enough that that particular business or area was used for parking.

Mr. Arnold answered it would certainly be evidence. Yes.

Alderman Shea stated they'd have proof then that that would be done.

Alderman Guinta stated I understand what you're saying, but that's not a reasonable expectation of proof that the Assessors could use to assess a property. There's only three ways you can assess commercial property; that's not one of them.

Mr. Sherman stated why don't I talk to the Assessors and we can get a response back and if I misspoke on that, then we'll correct it.

Alderman Guinta stated my question is should we as a committee direct the City Clerk's office to look at a process by which we could implement a permitting process. Is that a realistic thing for us to ask?

Clerk Normand answered we could certainly look at a process by which to do that.

Chairman Smith stated I guess that the main concern with the Civic Center parking was the split revenue. Is that correct? Where the Board of Mayor and Aldermen voted at a time and that's...

Mr. Sherman stated on the Center of New Hampshire, that's right. Until that point, the City was generating more money, it was a positive cash flow for us. Now that we give half of the Center of New Hampshire revenue to the Center of New Hampshire, now we're running a deficit on parking.

Chairman Smith asked and it's mostly because of the policies to make Manchester friendly like reducing the hours for the meters and so forth like that that we've created this situation partially ourselves.

Mr. Sherman replied yes.

Chairman Smith stated and trying to be friendly to the businesses and so forth downtown.

Ms. Shaffer stated to appeal to the citizens and the constituency, but you take a reduction in revenue for any of those types of votes that you get.

On motion of Alderman Shea, duly seconded by Alderman Guinta, it was voted to have the Finance Department come back to the committee with various options regarding Civic Center parking revenue, including discussion with the Traffic Department, and for the City Clerk's office to look at a possible permitting process for businesses that are providing and charging for parking during Civic Center events.

There being no further business to come before the committee, on motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee